

AMENDED IN SENATE JUNE 19, 2014

AMENDED IN ASSEMBLY MAY 23, 2014

AMENDED IN ASSEMBLY MARCH 18, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2636**

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**Introduced by Assembly Members Gatto and Skinner  
(Coauthors: Assembly Members Bocanegra, Rendon, Rodriguez,  
Ting, Wieckowski, and Williams)**

February 21, 2014

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An act to add Division 30 (commencing with Section 81000) to the Water Code, relating to water.

LEGISLATIVE COUNSEL'S DIGEST

AB 2636, as amended, Gatto. CalConserve Water Use Efficiency Revolving Fund.

The California Constitution requires the reasonable and beneficial use of water.

This bill would establish the CalConserve Water Use Efficiency Revolving Fund and provide that the moneys in the fund are available to the Department of Water Resources, upon appropriation by the Legislature, for the purpose of water use efficiency projects. This bill would require moneys in the fund to be used for purposes that include, but are not limited to, at-or-below market interest rate loans and would permit the department to enter into agreements with local agencies, as defined, that provide water or recycled water service to provide loans.

Existing law, the Costa-Machado Water Act of 2000, a bond act approved by the voters as Proposition 13 at the March 7, 2000, statewide primary election, authorizes the issuance of general obligation bonds

in the amount of \$1,970,000,000 for grants, loans, and direct expenditures for the purposes of financing a safe drinking water, clean water, watershed protection, and flood protection program.

This bill would transfer to the CalConserve Water Use Efficiency Revolving Fund from the bond act specified bond proceeds issued and available for agricultural water projects. This bill would require the department to use these moneys for loans and grants to local agencies to acquire and construct agricultural water conservation projects consistent with provisions of the bond act.

Existing law, the California Global Warming Solutions Act of 2006, designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases. The act authorizes the state board to include use of market-based compliance mechanisms. Existing law requires all moneys, except for fines and penalties, collected by the state board from the auction or sale of allowances as part of a market-based compliance mechanism to be deposited in the Greenhouse Gas Reduction Fund and to be available upon appropriation. Existing law requires the Department of Finance, in consultation with the state board and any other relevant state agency, to develop, as specified, a 3-year investment plan for the moneys deposited in the Greenhouse Gas Reduction Fund. Existing law permits moneys from the fund to be allocated for the purpose of reducing greenhouse gas emissions in this state through specified investments.

This bill would provide that the Legislature may appropriate moneys in the Greenhouse Gas Reduction Fund for water-use efficiency projects under the CalConserve Water Use Efficiency Revolving Loan Program that reduce greenhouse gas emissions. *The bill would prohibit the encumbrance of any funds appropriated in accordance with these provisions until the board, in consultation with the department, publishes findings on how all operational aspects of the projects result in greenhouse gas emission reductions, and reports those findings to the Legislature.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature finds and declares all of the  
2 following:

1 (a) Water is a finite resource in California, and dry hydrologic  
2 conditions caused by drought and climate change increase the  
3 uncertainty of water supplies.

4 (b) Reliable water supplies are essential for public health and  
5 safety, stability of local, regional, and statewide economies, and  
6 food security.

7 (c) Water use efficiency, including conservation and recycling  
8 of water, is an effective strategy to improve management of water  
9 resources at the local and regional levels. Improved resource  
10 management will help local communities withstand drought and  
11 other conditions that limit water supplies.

12 (d) Water use efficiency projects will become more complex  
13 and costly in order to increase the water savings potential.

14 (e) A sustainable source of funding is needed for urban and  
15 agricultural water use efficiency projects to assist water and  
16 recycled water providers in expanding local and regional programs.

17 (f) A revolving fund program is a mechanism to provide a  
18 sustainable funding source that provides incentives for matching  
19 local funds and accelerates local water supply development.

20 SEC. 2. Division 30 (commencing with Section 81000) is added  
21 to the Water Code, to read:

22  
23 DIVISION 30. CALCONSERVE WATER USE EFFICIENCY  
24 REVOLVING LOAN PROGRAM

25  
26 PART 1. GENERAL PROVISIONS

27  
28 81000. (a) It is the intent of the Legislature in establishing the  
29 CalConserve Water Use Efficiency Revolving Fund to create a  
30 sustainable funding source for water use efficiency projects.

31 (b) It is further the intent of the Legislature that the funds from  
32 the CalConserve Water Use Efficiency Revolving Fund be used  
33 for the following purposes:

34 (1) Measurable reductions in urban per capita water use.

35 (2) Improvements in agricultural water use efficiency and  
36 measurable reductions in agricultural water use.

37 (3) Increased use of recycled water.

38 (4) Reductions in greenhouse gas emissions and water and  
39 energy use.

(c) It is the intent of the Legislature that any public funds made available by this division to private water companies regulated by the Public Utilities Commission should be for the benefit of the ratepayers or the public and not the investors pursuant to oversight by the Public Utilities Commission.

81005. For purposes of this division, the following terms have the following meanings:

(a) “Fund” means the CalConserve Water Use Efficiency Revolving Fund established pursuant to Section 81020.

(b) “Local agency” means a city, county, city and county, municipal utility district, community services district, sanitary district, sanitation district, water district as defined in Section 20200, public water system as defined in Section 116275 of the Health and Safety Code, or private water company under the jurisdiction of the Public Utilities Commission.

(c) “Technical assistance” means costs incurred for providing advice, training, or other assistance to local agencies, such as the following:

(1) Conducting specialized studies to identify water conservation opportunities that meet the intent of Section 81000.

(2) Planning of specific remodeling, renovation, repair, replacement, or other projects related to water conservation.

(3) Developing a project proposal for funding from the fund.

## PART 2. CALCONSERVE WATER USE EFFICIENCY REVOLVING FUND

81020. The CalConserve Water Use Efficiency Revolving Fund is hereby created in the State Treasury. Moneys in the fund are available, upon appropriation by the Legislature, to the department for expenditure in accordance with this division. The department is the state agency responsible for administering the fund.

81022. The proceeds of any bonds authorized to be issued and available for the purposes of Section 79157 shall be transferred to the fund and used by the department for loans and grants to local agencies to acquire and construct agricultural water conservation projects consistent with Article 3 (commencing with Section 79157) of Chapter 8 of Division 26.

1 81023. (a) The Legislature may appropriate moneys in the  
2 Greenhouse Gas Reduction Fund created pursuant to Section  
3 16428.8 of the Government Code for projects under this division  
4 that reduce greenhouse gas emissions through water use efficiency  
5 improvements or improved water use efficiency consistent with  
6 Chapter 4.1 (commencing with Section 39710) of Part 2 of Division  
7 26 of the Health and Safety Code and Article 9.7 (commencing  
8 with Section 16428.8) of Chapter 2 of Part 2 of Division 4 of Title  
9 2 of the Government Code.

10 (b) (1) *Any funds appropriated in accordance with subdivision*  
11 *(a) shall not be encumbered until the State Air Resources Board,*  
12 *in consultation with the department, publishes findings, and reports*  
13 *those findings to the Legislature, on how all operational aspects*  
14 *of the projects result in greenhouse gas emission reductions.*

15 (2) *A report submitted pursuant to paragraph (1) shall be*  
16 *submitted in compliance with Section 9795 of the Government*  
17 *Code.*

18 81024. The department may undertake any of the following:

19 (a) Provide for the deposit of any available and necessary  
20 moneys into the fund.

21 (b) Enter into agreements with local agencies that provide water  
22 or recycled water service to provide loans for the purposes  
23 described in subdivision (b) of Section 81000.

24 (c) Provide for appropriate audit, accounting, and fiscal  
25 management services, plans, and reports relative to the fund.

26 (d) Take additional incidental action as appropriate for the  
27 adequate administration and operation of the fund.

28 (e) Make requests on behalf of the state for deposit into the fund  
29 of available federal moneys.

30 (f) Enter into agreements with the federal government for federal  
31 contributions to the fund.

32 (g) Accept federal contributions to the fund.

33 (h) Provide technical assistance to local agencies.

34 81026. (a) The department may enter into an agreement with  
35 the federal government for federal contributions to the fund only  
36 if both of the following conditions are met:

37 (1) The state identifies any required matching funds.

38 (2) The department is prepared to commit to the expenditure of  
39 any minimum amount in the fund in the manner required by the  
40 federal government.

1 (b) Any agreement between the department and the federal  
2 government shall contain those provisions, terms, and conditions  
3 required by the federal government and any implementing federal  
4 rules, regulations, guidelines, and policies, including, but not  
5 limited to, agreement to expend moneys in the fund in an  
6 expeditious and timely manner.

7 81030. Moneys in the fund shall be used for the following  
8 purposes:

9 (a) Loans that meet all of the following requirements:

10 (1) Are made at or below market interest rates.

11 (2) Require annual payments of principal and any interest, with  
12 repayment commencing not later than one year after loan funding  
13 and full amortization not later than 20 years after loan funding.  
14 Full amortization for loans to disadvantaged communities shall be  
15 not later than 25 years after loan funding.

16 (3) Require the loan recipient to establish an acceptable  
17 dedicated source of revenue for repayment of a loan.

18 (b) To guarantee, or purchase insurance for, local obligations  
19 if that action would improve credit market access or reduce interest  
20 rates.

21 (c) As a source of revenue or security for the payment of  
22 principal and interest on revenue or general obligation bonds issued  
23 by the state, if the proceeds of the sale of those bonds will be  
24 deposited in the fund.

25 (d) To earn interest.

26 (e) Technical assistance.

27 (f) For payment of the reasonable costs of administering the  
28 fund, not to exceed 4 percent of the fund.

29 (g) Grants, principal forgiveness, negative interest rates, and  
30 any other type of, or variation on, the types of assistance described  
31 in this section that is authorized by a federal capitalization grant  
32 deposited in the fund to the extent authorized and funded by that  
33 federal capitalization grant.

34 81033. Funds made available pursuant to this division to a  
35 local agency shall not be used for administrative costs.

36 81035. Any repayment of fund moneys, including interest  
37 payments, and all interest earned on, or accruing to, any moneys  
38 in the fund, shall be deposited in the fund and shall be available  
39 for expenditure for the purposes and uses authorized by this  
40 division.

PART 3. IMPLEMENTATION

81040. Projects shall have one or more of the following benefits:

- (a) Measurably reduce urban per capita potable water use.
- (b) Measurably reduce agricultural water use.
- (c) Increase the use or availability of recycled water supply.
- (d) Reduce greenhouse gas emission and water and energy use.

81042. Subject to all applicable constitutional restrictions, a local agency may borrow money and incur indebtedness pursuant to this division.

81044. The department may adopt rules and guidelines necessary or convenient to implement this division.

81046. A local agency may implement water-use efficiency loan programs pursuant to this section through on-bill financing.